

**DRAFT**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**  
**ENERGY DIVISION**  
**ITEM: 4 (Rev. 1)**  
**AGENDA ID: 17806**  
**RESOLUTION E-5033**  
**December 5, 2019**

**REDACTED RESOLUTION**

**Resolution E-5033.** Approves Southern California Edison's plan submitted in Advice Letter 4002-E to procure 95 megawatts of energy storage resources in the Santa Clara/Goleta sub-areas of Moorpark sub-area of Big Creek/Ventura local reliability area.

**PROPOSED OUTCOME:**

- This Resolution approves proposed procurement by Southern California Edison (SCE) of 95 megawatts of energy storage resources. These resources were chosen in a competitive solicitation process as ordered by Resolution E-4937, and pursuant to Senate Bill 801.

**SAFETY CONSIDERATIONS:**

- SCE's Pro Forma Energy Storage Agreement requires the Seller to operate the energy storage facility in accordance with "Prudent Electrical Practices." An expansive list of safety provisions is found on pages 29-31 of Advice Letter 4002-E.

**ESTIMATED COST:**

- This resolution approves contracts with a total cost to ratepayers of [REDACTED].

By Advice Letter 4002-E filed on May 23, 2019.

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**SUMMARY**

This Resolution approves Southern California Edison's (SCE) request to procure 95 megawatts (MW) of energy storage, to satisfy requirements of Senate Bill (SB) 801 (Stern, 2017) and Resolution E-4937. The six approved energy storage contracts also contribute to meeting long-term local capacity requirements (LCR)

in the Moorpark sub-area of the Big Creek/Ventura local reliability area by 2021. By satisfying two objectives at one cost, these projects provide greater value to ratepayers. The resources proposed for procurement were solicited in a competitive process as ordered by Resolution E-4937. Advice Letter 4002-E includes a substitute sheet that made corrections to a list of potential procurements in Table C-3 of the Advice Letter. None of the corrections changed the rankings of selected projects. This Resolution approves the relief requested in Advice Letter 4002-E without modifications.

Table 1, below, provides a summary of the six energy storage projects selected in SCE's Second Aliso Canyon Energy Storage Request for Offers (ACES 2 RFO) as well as the one behind the-meter-demand response project selected.

<b>Counterparty / Project Name</b>	<b>Technology type</b>	<b>Size (MW)</b>	<b>Online Date</b>	<b>Term of Agreement (Years)</b>	<b>Local Sub-Area</b>
Able Grid / Silverstrand	Lithium Ion Batteries	11	3/1/2021	20	Big Creek/Ventura - Santa Clara
AltaGas / Goleta	Lithium Ion Batteries	40	12/1/2020	20	Big Creek/Ventura - Goleta
Enel Green Power (Enel) / Hollister	Lithium Ion Batteries	10	3/1/2021	20	Big Creek/Ventura - Goleta
E.ON climate and Renewables (E.ON) / Painter	Lithium Ion Batteries	10	3/1/2021	20	Big Creek/Ventura - Goleta
Ormat / Vallecito	Lithium Ion Batteries	10	12/1/2020	20	Big Creek/Ventura - Goleta
Swell / SC/G	BTM DR	14	1/1/2021	10	Big Creek/Ventura – Goleta and Santa Clara

## **BACKGROUND**

*Senate Bill 801 (Stern, 2017)*

SB 801 requires the Commission to direct electric corporations serving the Los Angeles (LA) Basin to procure a minimum of 20 megawatts of cost-effective energy storage solutions, pursuant to a competitive solicitation, to help address electrical system operational limitations resulting from reduced gas deliverability caused by the partial shutdown of the Aliso Canyon natural gas storage facility. In pursuit of that directive, SCE filed Advice Letter 3785-E on April 13, 2018, which laid out a plan to procure energy storage resources by way of a competitive solicitation, targeting certain substations for interconnection. Resolution E-4937 approved that Advice Letter, with minor modifications, and directed SCE to conduct the solicitation and to file for approval of resulting procurements in a Tier 3 Advice Letter.

*Moorpark local reliability needs*

The CPUC's Long-Term Procurement Plan proceeding (LTPP) R.12-03-014 led to D.13-02-015, which authorized SCE to procure 215 to 290 MW of generation in the Moorpark sub-area of Big Creek/Ventura local reliability area. A resulting procurement of 274 megawatts total was approved by D.16-05-050. In October 2017, the California Energy Commission (CEC) noticed that it intended to deny certification for the construction of the Puente gas fired plant, which had been approved by D.16-05-050. Subsequently, only 12 MW of preferred resources were able to come online out of the 274 MW total approved in D.16-05-050. To address the difference, SCE eventually issued a subsequent 2018 LCR RFO and has applied for approval of a 100 MW storage facility in A.19-04-016. As SCE explained in Advice Letter 3785-E,<sup>1</sup> the resources proposed in this Advice Letter will help to satisfy the LCR needs for the Moorpark sub-area.<sup>2</sup>

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<sup>1</sup> SCE details their strategy for targeting specific substations and how that relates to the LCR needs in Appendix A of Advice Letter 3785-E.

<sup>2</sup> The Moorpark sub-area needs were the subject of CAISO's 2023 Local Capacity Technical Analysis, Supplemental Local Capacity Assessment for the Santa Clara sub-area (June 18, 2018)

*Intersection of LCR and SB 801*

SB 801 was passed during the LCR procurement planning process, and explicitly directed the procurement of energy storage resources to address the restricted operations of the Aliso Canyon natural gas storage facility. In response, SCE filed Advice Letter 3785-E which laid out their plan to target the Moorpark sub-area to fulfill the LCR needs and the SB 801 directive simultaneously. In Advice Letter 4002-E SCE identified that targeting these areas for the ACES 2 RFO will help save ratepayer money compared to procuring separate resources for the LCR needs and the ACES 2 RFO. The Advice Letter also points out that fulfilling the timeline to relieve a portion of the LCR needs is facilitated by the use of the Tier 3 Advice Letter process ordered for ACES 2 RFO contracts.

**Details of SCE's requests for relief in Advice Letter 4002-E**

SCE requested the following relief be approved in a Commission Resolution issued no later than 6 months from the filing of Advice Letter 4002-E.

1. Approval of the ACES 2 Contracts in their entirety;
2. A finding that the Contracts are consistent with Resolution E-4937 and D.13-10-040;
3. Pursuant to Ordering Paragraph 9 of D.18-10-036, a finding that the Energy Storage Contracts, totaling 95 MW, count towards satisfying the outstanding portion of SCE's Energy Storage Procurement Target established in D.13-10-040;
4. A finding that the Energy Storage Contracts, totaling 95 MW, count towards satisfying the outstanding portion of SCE's Local Capacity Requirement (LCR) established by D.13-02-015;
5. A finding that SCE is preauthorized to exercise the future expansion option with AltaGas based on the triggers identified in Confidential Appendix A of Advice Letter 4002-E, during the time the option is available;
6. A finding that the energy storage contracts, and SCE's entry into them, is reasonable and prudent for all purposes, and that any payments to be

made by SCE pursuant to the contracts are recoverable in full by SCE through the ERRRA proceeding, subject only to SCE's prudent administration of the contracts;

7. Authorization allowing SCE to allocate the benefits and costs of the Energy Storage Contracts to all benefitting customers in accordance with Resolution E-4937, and specifically, a finding that the Cost Allocation Mechanism, as adopted by the Commission in D.15-11-041 shall apply to the ACES 2 RFO contracts; and
8. Any other and further relief as the Commission finds just and reasonable.

### **NOTICE**

Notice of Advice Letter 4002-E was made by publication in the Commission's Daily Calendar. SCE states that a copy of Advice Letter 4002-E was distributed in accordance with Section 4.3 of G.O. 96-B.

### **PROTESTS AND RESPONSES**

Advice Letter 4002-E was timely protested by the Public Advocates Office (Cal PA) on June 12, 2019. SCE timely filed a reply to the Public Advocates Office's protest on June 19, 2019. CAISO, CESA, and CEERT all filed responses in support of AL 4002-E. CESA and CEERT both filed timely responses on June 12, 2019. CAISO's response on June 25, 2019 was not timely, but was accepted by the Energy Division. The following issues were raised in Cal PA's protest. The issues raised by the other responses (that were not protests) are detailed within the Discussion section.

#### *Location of procured resources outside the LA Basin local reliability area*

Cal PA raises several issues in their protest, notably a concern that the proposed procurement does not meet SB 801 requirements to support reliability in the LA Basin. In their protest, Cal PA cites the lack of need for local RA capacity within the LA Basin, as described in the Advice Letter filing.

In reply, SCE points to the fact that the Commission has already established in Resolution E-4937 that resources interconnected at the targeted substations (Goleta, Santa Clara, El Nido, La Cienaga, La Fresa, Laguna Bell, and Villa Park) will support the reliability goals of SB 801 by reducing local electric demand and natural gas demand.

*Selection criteria of procured resources*

Cal PA asserts that SCE fails to comply with Resolution E-4937's requirement that it justify selecting contracts without the highest NPV. SCE argues in their reply that the resources with higher NPV that were not chosen would not provide the additional benefit of satisfying the Moorpark sub-area needs. SCE further points out that Resolution 4937-E allows SCE to select projects without the highest NPV in this solicitation, if SCE demonstrates the projects provide greater value to customers. Finally, SCE explains that they selected bids that would satisfy the statutory procurement requirement and simultaneously meet a reliability need, as opposed to selecting other resources that would have only fulfilled the procurement requirement.

*Use of Tier 3 Advice Letter in lieu of formal application*

Cal PA also contends that SCE should not have filed this procurement approval request as an Advice Letter, but instead should have sought Commission approval through an application process, possibly in conjunction with its LCR RFO results filed in A.19-04-016. In reply SCE points out that its use of the Tier 3 Advice Letter was ordered by Resolution E-4937.

**DISCUSSION**

Advice Letter 4002-E is approved. The relevant facts that lead to our approval of the advice letter and energy storage agreements contained therein are discussed below.

*SCE's proposed procurements are appropriate and follow the orders laid out in Resolution E-4937.*

The solicitation process, selection of resources, and targeting of specific areas followed by SCE all conform to requirements laid out by Resolution E-4937. Selection of resources to simultaneously satisfy SB 801 and Moorpark LCR needs is appropriate as determined in Resolution E-4937. The Commission rejects CalPA's protest suggesting that the resources must also satisfy LA Basin local reliability needs. We find merit in SCE's argument that the resources will support reliability by reducing electric demand and natural gas demand, as established in Resolution E-4937.

We do not find merit in Cal PA's argument that SCE fails to comply with Resolution E-4937's requirement that it justify selecting contracts without the highest NPV. Resolution E-4937 allows SCE to select projects without the highest NPV in this solicitation, if SCE demonstrates the projects provide greater value to customers.<sup>3</sup> Indeed, SCE has met that test. Through the ACES 2 RFO, SCE procured a portfolio of cost effective energy storage resources that satisfy the objectives of SB 801 while also meeting long term local reliability needs in the Moorpark sub-area. The selected contracts also have the lowest cost impact on customers because they allow SCE to avoid double procurement.

We do not agree with CalPA's assertion that approval of these resources should be through a formal application process. As argued by SCE, Resolution E-4937 ordered SCE to submit the resources selected from the ACES 2 RFO by means of a Tier 3 Advice Letter. In addition, there are timing considerations that add further justification to expeditious review and approval of these energy storage contracts so that resources can achieve commercial operation in a time frame that meets the LCR need.

*Responses in support of approval of Advice Letter*

CAISO filed a supportive response to Advice Letter 4002-E that mentioned the value of the procured resources in meeting the Moorpark LCR needs. CAISO also pointed out that the use of the Tier 3 Advice Letter process was essential in

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<sup>3</sup> Ordering paragraph 3, Resolution E-4937, August 9, 2018, page 11.

granting the opportunity for the resources to come online in time to satisfy the Moorpark LCR needs in June 2021.

CEERT filed a response in which they expressed support for the advice letter and the contracts contained within. CEERT's response also offered suggestions for environmental mitigation expenditures and the use of the results of this procurement in future RA proceedings. We appreciate CEERT's consideration of the advice letter, but these additional items are out of scope at this time and therefore we decline to address them.

CESA's response was supportive and highlighted the same dual purpose benefit that SCE has highlighted.

*SCE's requested relief*

We have reviewed all items listed in Edison's requested relief, as well as the confidential appendices that provide more detail on them. As necessary, we discuss the requested relief below.

The Commission agrees with SCE's request that the proposed resources should count towards the targets set by D.13-10-040, as established in Resolution E-4937.

The Commission agrees with SCE that the resources are eligible to count for LCR needs in the Moorpark sub-area. SCE's explanation of its selection of substations for interconnections in Advice Letter 3785-E, Appendix A, provides justification for this relief.

The Commission agrees with SCE that use of the Cost Allocation Mechanism (CAM) adopted in D.15-11-041 for energy storage resources procured to address Aliso Canyon reliability concerns is an appropriate method for allocation of the benefits and costs of these energy storage contracts. SCE proposed to use the CAM in Advice Letter 3785-E, which was approved.

The Commission agrees with SCE's requested approval of an expansion option on the AltaGas contract. Confidential Appendix A of the Advice Letter contains provisions for a capacity expansion option on the AltaGas contract, from 40 MW



to 60 MW. The appendix describes some examples of the types of circumstances that might constitute a “demonstrated need” and therefore trigger use of the option. The option on this project provides for a reasonably priced and readily available substitute that could help meet the needs being addressed through this Advice Letter if unforeseen circumstances prevent construction of one of the other projects. The option to expand the AltaGas contract provides potential benefits given the triggers described in Advice Letter 4002-E confidential Appendix A.

The Commission agrees that the costs of all of the six contracts totaling 95 MW described in Advice Letter 4002-E, are reasonable and are recoverable by SCE in the ERRA proceeding. The Commission agrees that the contract costs, including specifically the potential modified cost of the AltaGas contract should the option be triggered, are reasonable and are recoverable by SCE in ERRA.

## **COMMENTS**

Public Utilities Code section 311(g)(1) provides that this Draft Resolution must be served on all parties and subject to at least 30 days public review. Please note that comments are due 20 days from the mailing date of this resolution. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the Draft of this Resolution was neither waived nor reduced. Accordingly, this Draft Resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

On October 21, 2019,, the Public Advocates Office (CalPA) timely protested the Draft Resolution on three grounds. CalPA claims that the Draft Resolution violates PU Code 2836.7(b), is not supported by evidence, and approves the proposed procurement strictly to satisfy a local capacity requirement as opposed to approving the procurement to satisfy SB 801.

In their 1<sup>st</sup> protest point, CalPA cites the lack of need for CAISO LCR capacity in the LA Basin as evidence that there is no reliability requirement in the LA Basin.

However, the Senate Floor Analysis of SB 801<sup>4</sup> points out that the intent of SB 801 was to mitigate threats to electrical reliability caused by reductions in natural gas deliverability. The issues related to reduced gas deliverability from Aliso Canyon are not modeled in CAISO's LCR process. The ability of the proposed resources to support reliability by decreasing demand for natural gas in critical times was a finding of the Commission in Resolution E-4937, and is not in question here.

CalPA's second protest point claims that the evidence does not support a need for capacity in the LA Basin, again relying on CAISO LCR studies. Again, the findings of Resolution E-4937 deny the validity of this protest.

The final items in CalPA's protest suggests that Draft Resolution approves the proposed procurement only for LCR needs. As demonstrated above, the Draft Resolution approves the procurement based on its ability to contribute to reliability in the LA Basin and to satisfy the LCR needs.

We do not find merit in any of CalPA's points of protest, and their protest is denied.

On October 21, 2019, SCE timely filed comments in support of the draft resolution. SCE also asked for a correction to Table 1 clarifying the contract term of the Swell resource, which has been corrected.

## **FINDINGS AND CONCLUSIONS**

1. SCE's Advice Letter 4002-E describes a competitive solicitation and selection of resources that followed the requirements of Resolution E-4937 and the contracts contained therein are consistent with D.13-10-040.
2. SCE selected resources that will simultaneously fulfill the requirements of SB 801 and offset the needs for local capacity in the Moorpark sub-area of the Big Creek/Ventura local reliability area.

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<sup>4</sup> Senate Rules Committee, Office of Senate Floor Analyses, "Senate Floor Analysis: SB 801," p. 5 (prepared by Jay Dickenson/E., U., & C./ on September 13, 2017) (emphasis added); available at: [https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill\\_id=201720180SB801#](https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=201720180SB801#)

3. SCE used a Tier 3 Advice Letter for approval of these procurements appropriately and as directed by Resolution E-4937.
4. SCE demonstrates in Advice Letter 4002-E that it selected the highest NPV projects that are able to fulfill both the ACES 2 RFO and LCR needs simultaneously, in accordance with the requirements of Resolution E-4937.
5. SCE's Advice Letter 4002-E describes procurement for six selected Energy Storage Contracts, totaling 95 MW, count towards satisfying the outstanding portion of SCE's AB 2514 Energy Storage Procurement Target established in D.13-10-040.
6. It is reasonable to preauthorize SCE to exercise the future expansion option with AltaGas based on the triggers identified in Appendix A, during the time the option is available.
7. The Commission finds the energy storage contracts, and SCE's entry into them, is reasonable and prudent, and any payments made by SCE pursuant to the contracts are recoverable by SCE through the ERRRA proceeding, subject to the Commission's review of SCE's prudent administration of the contracts.
8. The commission finds that it is reasonable to authorize SCE to allocate the benefits and costs of the Energy Storage Contracts to all benefitting customers in accordance with Resolution E-4937.
9. The Commission finds that it is reasonable to authorize the Cost Allocation Mechanism, as adopted by the Commission in D.15-11-041 to apply to the ACES 2 RFO contracts.

**THEREFORE IT IS ORDERED THAT:**

1. Advice Letter 4002-E, and the ACES 2 Contracts contained therein, and SCE's proposed cost recovery for the energy storage contracts are approved in their entirety.
2. The relief requested in Advice Letter 4002-E is approved.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 5, 2019; the following Commissioners voting favorably thereon:

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ALICE STEBBINS  
Executive Director